

DOCKETED

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Project Title:	2022 Energy Code Update Rulemaking
TN #:	237722
Document Title:	Form 399 for the Proposed 2022 Energy Code
Description:	The Fiscal and Economic Impact Statement (Form 299) for proposed changes to the California Code of Regulations, Title 24, Part 1, Chapter 10 and Part 6 (2022 California Energy Code).
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Organization:	California Energy Commission
Submitter Role:	Commission Staff
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STATE OF CALIFORNIA — DEPARTMENT OF FINANCE
**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME California Energy Commission	CONTACT PERSON Adrian Ownby	EMAIL ADDRESS adrian.ownby@energy.ca.gov	TELEPHONE NUMBER 916-891-9074
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Provisions to the California Energy Code			NOTICE FILE NUMBER Z

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- a. Impacts business and/or employees
- b. Impacts small businesses
- c. Impacts jobs or occupations
- d. Impacts California competitiveness
- e. Imposes reporting requirements
- f. Imposes prescriptive instead of performance
- g. Impacts individuals
- h. None of the above (Explain below):

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.
If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.*

2. The California Energy Commission estimates that the economic impact of this regulation (which includes the fiscal impact) is:
(Agency/Department)

- Below \$10 million
- Between \$10 and \$25 million
- Between \$25 and \$50 million
- Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: 21,500 - 43,000

Describe the types of businesses (Include nonprofits): Building construction, energy efficiency, and building owners; see narrative.

Enter the number or percentage of total businesses impacted that are small businesses: 74%

4. Enter the number of businesses that will be created: 0 eliminated: 0

Explain: See narrative attachment.

5. Indicate the geographic extent of impacts: Statewide
 Local or regional (List areas): _____

6. Enter the number of jobs created: 781 and eliminated: 6,868

Describe the types of jobs or occupations impacted: construction-related jobs and occupations; companies that provide energy efficient products and services will benefit from increased demand for those products and services.

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? YES NO

If YES, explain briefly: See narrative attachment. While there are initial up-front costs imposed by the Energy Code (see B1 and B4 below), there are long-term savings that repay those costs by a significantly positive ratio. Past changes to the Energy Code continue to generate benefits even as the latest version of the Energy Code increases initial costs.

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ECONOMIC IMPACT STATEMENT (CONTINUED)

B. ESTIMATED COSTS *Include calculations and assumptions in the rulemaking record.*

- What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 2,512,082,316
 - Initial costs for a small business: \$ 553 - 66,847 Annual ongoing costs: \$ 383 - 48,992 Years: 10
 - Initial costs for a typical business: \$ 553 - 66,847 Annual ongoing costs: \$ 383 - 48,992 Years: 10
 - Initial costs for an individual: \$ 0 - 16 Annual ongoing costs: \$ 0 - 2,070 Years: 10
 - Describe other economic costs that may occur: Increased costs will result in improved building envelopes (walls, roofs, windows), HVAC equipment and testing, improved lighting and water heating technology requirements.
- If multiple industries are impacted, enter the share of total costs for each industry: Nonresidential Construction (12%), Residential Construction (88%)
- If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ _____
- Will this regulation directly impact housing costs? YES NO
If YES, enter the annual dollar cost per housing unit: \$ 0 - 2,070
Number of units: 171,011
- Are there comparable Federal regulations? YES NO
Explain the need for State regulation given the existence or absence of Federal regulations: Federal regulations do not apply to state, local and private sector construction in California
Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

- Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Individuals and business will benefit from the reduction in energy costs. Businesses that provide energy efficiency products and services may experience an increase in business. All state and local government agencies and their tenants will benefit.
- Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?
Explain: The Energy Commission has authority granted by statute to adopt the Energy Code.
- What are the total statewide benefits from this regulation over its lifetime? \$ 8,778,117,537
- Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: California businesses producing energy efficiency products/technologies that meet or exceed the Code will likely expand their sales of those products/technologies due to the implementation of the proposed Code.

D. ALTERNATIVES TO THE REGULATION *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

- List alternatives considered and describe them below. If no alternatives were considered, explain why not: At this time the Commission is not aware of alternatives to the proposed regulations that would be equally effective and have a lower adverse impact on economic interests. More costly alternatives were considered and rejected.

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ECONOMIC IMPACT STATEMENT (CONTINUED)

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ 8,778,117,537 Cost: \$ 2,512,082,316

Alternative 1: Benefit: \$ 8,262,470,964 Cost: \$ 2,428,908,337

Alternative 2: Benefit: \$ 8,012,627,627 Cost: \$ 2,136,649,021

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: The Energy Code is fundamentally performance based (with the exception of limited mandatory provisions). See narrative for further explanation.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? YES NO

Explain: Flexible performance pathways are a fundamental part of the proposed Energy Code.

E. MAJOR REGULATIONS *Include calculations and assumptions in the rulemaking record.*

California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.

1. Will the estimated costs of this regulation to California business enterprises **exceed \$10 million**? YES NO

***If YES, complete E2. and E3
If NO, skip to E4***

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

4. Will the **regulation subject to OAL review** have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

YES NO

If YES, agencies are required to submit a [Standardized Regulatory Impact Assessment \(SRIA\)](#) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.

5. Briefly describe the following:

The increase or decrease of investment in the State: _____

The incentive for innovation in products, materials or processes: _____

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: _____

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE
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FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

a. Funding provided in _____

Budget Act of _____ or Chapter _____, Statutes of _____

b. Funding will be requested in the Governor's Budget Act of _____

Fiscal Year: _____

2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

a. Implements the Federal mandate contained in _____

b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

e. Will be fully financed from the fees, revenue, etc. from: _____

Authorized by Section: _____ of the _____ Code;

f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Annual Savings. (approximate)

\$ _____

4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

5. No fiscal impact exists. This regulation does not affect any local entity or program.

6. Other. Explain [See narrative attachment for explanation.](#)

**ECONOMIC AND FISCAL IMPACT STATEMENT
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STD. 399 (Rev. 10/2019)

FISCAL IMPACT STATEMENT (CONTINUED)

B. FISCAL EFFECT ON STATE GOVERNMENT *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

It is anticipated that State agencies will:

a. Absorb these additional costs within their existing budgets and resources.

b. Increase the currently authorized budget level for the _____ Fiscal Year

2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

3. No fiscal impact exists. This regulation does not affect any State agency or program.

4. Other. Explain [See narrative attachment for explanation.](#)

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

4. Other. Explain [The proposed regulations impact state-financed buildings but are not expected to directly impact federal funding of state programs except in limited circumstances.](#)

FISCAL OFFICER SIGNATURE



DATE

March

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY



Bryan Cash

DATE

3/26/2021

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER



DATE